

Message Text

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S/S - MR. LUERS

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P 1,000Z OCT 74

FM SECSTATE WASHDC

TO AMEMBASSY LUSAKA PRIORITY

C O N F I D E N T I A L STATE 228182

E.O. 11652: GDS

TAGS: PFOR, AZ, US

SUBJECT: COPPER NEGOTIATIONS

REF: LUSAKA 2096

1. ASSISTANT SECRETARY EASUM HOSTED LUNCH OCT. 15 FOR MINISTER OF MINES AND INDUSTRY KASHITA. ALSO PRESENT WERE AF/E DIRECTOR COOTE; MICHAEL DUX, EB/ICD/ISM; AF/E COUNTRY OFFICER FOR ZAMBIA; AMB.MWALE; COUNSELLOR SILWEYA. (SILUNGWE AND PHIRE DID NOT COME DOWN FROM NEW YORK.) AFTER LUNCH KASHITA PAID COURTESY CALL ON ACTING SECRETARY INGERSOLL TO WHOM HE GAVE ACCOUNT OF OCT. 14 GRZ-AMAX TALKS.

2. MAIN POINT MADE BY KASHITA AT LUNCH AND DURING COURTESY CALL WAS THAT HIS TALKS WITH AMAX WERE GENERALLY SUCCESSFUL AND THAT BOTH SIDES WERE PLEASED WITH THEM. HE SAID AGREEMENT WAS REACHED ON MOST OF THE MAJOR OUTSTANDING ISSUES: THE PRINCIPLE OF COMPENSATION HAD BEEN RESOLVED, AGREEMENT WAS REACHED ON THE TRANSFER OF MARKETING SERVICES, AND THE GRZ INDICATED IT WOULD MAKE A DEFINITIVE OFFER TO AMAX WITHIN THE NEXT SIX MONTHS OR SO TO SETTLE FINAL
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QUESTION OF PRECISELY HOW MUCH MONEY ONE SIDE OWED THE OTHER. KASHITA SAID FINAL GRZ OFFER WOULD ALMOST CERTAINLY BE HIGHER THAN ITS ORIGINAL OFFER. SINCE KASHITA SKIMMED OVER PRECISE DETAILS OF AGREEMENT DUE TO PRESS OF

TIME AND OTHER ISSUES UNDER DISCUSSION, EMBASSY MAY WISH TO CONTACT HIM OR HIS COLLEAGUES AFTER THEIR RETURN FOR MORE PRECISE DETAILS OF GRZ-AMAX ARRANGEMENTS.

3. DURING DISCUSSION AT LUNCH OF FOREIGN INVESTMENT IN AFRICA, EASUM NOTED SOME US INVESTORS ARE UNAWARE OF DIVERSITY OF STATES AND GOVERNMENT POLICIES IN AFRICA. AS A RESULT, HORROR STORIES OF NATIONALIZATION, EXPROPRIATION, HARRASSMENT, ETC., WHICH MAY ACTUALLY BE RELEVANT ONLY TO ONE OR TWO COUNTRIES MAY BE ASSOCIATED IN THEIR MINDS WITH AFRICA AS A WHOLE. THIS MISCONCEPTION OF COURSE FEEDS UPON DEVELOPMENTS IN OTHER COUNTRIES WHICH CAN BE INTERPRETED AS MOVES AGAINST FOREIGN INVESTMENT. IT THEREFORE IMPORTANT FOR AFRICAN STATES TO KEEP IN MIND EFFECTS OF THEIR OWN AND NEIGHBORS' ACTIONS ON WILLINGNESS OF FOREIGN INVESTORS ENTER AFRICAN MARKETS.

4. KASHITA AND MWALE MADE POINT THAT ZAMBIA GENUINELY INTERESTED IN FOREIGN, INCLUDING US, INVESTMENT AND DEPLORED FACT SOME POTENTIAL INVESTORS PUT OFF BY LACK OF GRZ INVESTMENT CODE. ACCORDING KASHITA, GRZ'S AIM IS TO DEVELOP CODE WHICH APPLIES EQUALLY TO FOREIGN AND DOMESTIC INVESTORS ALIKE, AVOIDING POLITICAL PITFALLS INHERENT IN SINGLING OUT FOREIGN INVESTMENT IN GENERAL OR FOREIGN FIRMS IN PARTICULAR FOR SPECIAL TREATMENT. DURING MEETING WITH ACTING SECRETARY, ZAMBIANS EMPHASIZED GRZ COMMITTED TO MIXED ECONOMY; GRZ AND PARASTATAL ENTERPRISES DESCRIBED AS CUSTODIANS OF PUBLIC WELFARE. MOST SECTORS OF THE ECONOMY WERE NOT OFF-LIMITS TO FOREIGN INVESTORS, THEY SAID, BUT NOTED THAT GRZ MAY AT ITS DISCRETION PARTICIPATE IN VENTURE UP TO 51 PERCENT OF EQUITY.

5. ZAMBIANS TOOK USUAL LINE ON NEED FOR GREATER US INVOLVEMENT IN SOUTHERN AFRICAN AFFAIRS, INCLUDING AID FOR MOZAMBIQUE, ETC. ACTING SECRETARY AND EASUM LISTENED SYMPATHETICALLY BUT DID NOT COMMIT USG TO ANY NEW COURSE
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OF ACTION.

6. BOTH KASHITA AND MWALE EXPRESSED APPRECIATION FOR WARM RECEPTION BY USG OFFICIALS. MWALE REFERRED TO VISIT AS STILL ANOTHER EXAMPLE OF STEADILY IMPROVING RELATIONS BETWEEN US AND ZAMBIA.

7. KASHITA ARRIVED IN WASHINGTON FROM NEW YORK SHORTLY BEFORE LUNCHEON AND RETURNED TO NEW YORK IMMEDIATELY AFTER MEETING WITH ACTING SECRETARY. WE DO NOT KNOW HOW SOON HE INTENDS RETURN LUSAKA, ALTHOUGH HE SAID HE WILL BE THERE DURING EASUM'S EARLY NOVEMBER VISIT. INGERSOLL

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